

## Appendix 3

March 1, 2002

J. Michael Hickey, President  
Verizon New Hampshire  
900 Elm Street, Suite 1927  
Manchester, NH 03101-2008

Re: Application of Verizon New England Inc., d/b/a Verizon New Hampshire, for a  
Favorable Recommendation to Offer InterLATA Service Under 47 U.S.C. 271,  
DT 01-151

Dear Mr. Hickey:

On July 31, 2001, Verizon New England Inc., d/b/a Verizon New Hampshire (Verizon NH) filed with the New Hampshire Public Utilities Commission (Commission) a request to consider whether Verizon NH complies with the requirements of Section 271 of the federal Telecommunications Act of 1996 (TAct). The filing included Verizon NH's evidence supporting its claim of compliance with the TAct's 14-point Competitive Checklist, in order for the Commission to verify Verizon NH's compliance to the Federal Communications Commission (FCC) when Verizon NH seeks long distance authority from the FCC.

The Commission hired a facilitator who conducted a thorough and comprehensive investigation of Verizon NH's compliance with the statutory requirements enumerated in Section 271(c) of the TAct. To review compliance with the 14-point checklist the facilitator held five days of evidentiary hearings. Parties filed briefs and the Commission heard closing arguments on February 6, 2002. Our inquiry was not formally a "contested case" under New Hampshire law, and for this reason it was conducted as a non-adjudicative process. However, the proceeding had many of the elements of such a case and laid a firm foundation for our recommendations to the FCC.

The Commission has considered the declarations, exhibits, briefs, comments and oral arguments submitted by Verizon NH, Staff, the Office of Consumer Advocate, the Joint CLECs, AT&T, MCI, ASCENT, and interested persons. As part of the investigation, we also considered the report of the independent accountants PricewaterhouseCoopers, LLC, who, in accordance with attestation standards established by American Institute of Certified Public Accountants, examined and verified that the OSS and performance metrics reporting are the same in New

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Hampshire as in Massachusetts, where they have been found to satisfy the standards for compliance with Section 271(c).

The record shows that Verizon NH has interconnection agreements, processes, and procedures necessary for a competitive market to exist in New Hampshire and satisfies the preconditions for filing under Track AA@, Section 271 (c)(1)(A). In addition, based on the evidence we conclude that Verizon meets requirements of checklist items:

3. Poles, Ducts, Conduits and Rights-of-Way: Section 271(c)(2)(B)(iii).
6. Local Switching: Section 271(c)(2)(B)(vi).
7. 911/E-911, Directory Assistance, Operator Services: Section 271(c)(2)(B)(vii).
8. White Pages: Section 271(c)(2)(B)(viii).
9. Numbering Administration: Section 271(c)(2)(B)(ix).
10. Call-Related Databases and Signaling: Section 271(c)(2)(B)(x).
12. Local Dialing Parity: Section 271(c)(2)(B)(xii).
14. Resale: Section 271(c)(2)(B)(xiv)

However, with regard to the remaining issues in the case, the record reveals several areas of concern about Verizon=s full compliance with certain checklist items, about its corporate commitment to serving CLEC customers, and about whether the public interest will be served by Verizon=s entry into the long distance market. With respect to these items, we will only be able to conclude that Verizon NH has demonstrated that its proposal is for the public good, if it satisfies the conditions specified below.

In our consultative report to the FCC, we will present fully the basis of our concerns and the rationale behind these conditions. Summary descriptions of the conditions are provided here:

1. To avoid confusion, explicitly convert the existing SGAT into a CLEC tariff from which competitors may directly order anything contained in the SGAT, without the need to negotiate an interconnection agreement or amend an interconnection agreement. The tariff may contain a standard form for competitors to complete which would provide Verizon with the information it needs about the competitor in order to interconnect, such as the location of the point of interconnection or identification for billing purposes. The tariff must reflect the SGAT rates, terms and conditions ordered by this Commission in Docket DE 97-171, except to the extent further reductions or changes are required below as a condition of Verizon=s receipt of a favorable recommendation on its Section 271 petition.
2. Recalculate the rates in the CLEC tariff using an 8.42% overall cost of capital, based on Verizon=s current debt to equity ratio, Verizon=s current cost of debt and 10%

return on equity as used in New Jersey. In addition, reduce all rates by 6.43% to account for merger and process re-engineering savings.

3. Revise the SGAT and CLEC tariff to apply the unbundled local switching charge only once to a call that originates and terminates in the same switch.
4. Revise the SGAT and CLEC tariff to clarify that UNE-P combinations ordinarily combined by Verizon to serve retail customers will be provided, as they are in Massachusetts, even if the particular loop and switch port affected by the CLEC order are not currently connected and have never been connected to each other before.
5. Create a CLEC-only intrastate special access tariff for DS-1 and DS-3 using UNE rates and SGAT terms and conditions. Include a provision which either allows CLECs to connect a UNE to the special access or charges \$1.00 for the special access until it is converted to a UNE.
6. Create a critical-need customer category (e.g., police, fire, hospital) which identifies end-user customers whose continued telephone service is essential to public health and safety. If these customers choose to change local exchange carriers, Verizon must take extraordinary steps to prevent service interruptions during a transfer and to reestablish service should an interruption occur. LECs may, if they desire, notify Commission staff when one of these customers is about to cut over to a new provider, and staff will work with Verizon to insure extra precaution is taken.
7. Create a rapid response process similar to that being developed in Maine to address issues in dispute between Verizon and CLECs in an expeditious manner. The process will be tested for six months and revised based on our experience.
8. Convert all interim number portability to permanent number portability.
9. Refund or recalculate disputed DC power bills that were rated using the intrastate SGAT rate that was in effect by operation of law prior to the Commission's final order on DC power (Order No. 23,915).
10. Require employees who deal with CLECs to identify themselves using either an employee identification number or first and last name.

In addition, in orders to be issued shortly, the Commission is setting out the minimum requirements of a Performance Assurance Plan, necessary to prevent backsliding on Verizon's performance in provisioning service to its wholesale customers (CLECs). We will also resolve all outstanding issues regarding rates for UNEs in the Verizon SGAT. It goes without saying

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that our favorable recommendation is conditioned on Verizon=s compliance with these companion orders.

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Our conditions (1) reduce, if not eliminate, the wholesale/retail Aprice squeeze,@ (2) provide CLECs streamlined access to all the UNE combinations Verizon uses for its own retail offerings, (3) reduce barriers to high-capacity access, (4) update and appropriately lower UNE rates, and (5) create a workable structure of standards, penalties and Commission intervention to enforce seamless, quality service by Verizon to its wholesale customers, and ultimately to their consumers, the residents and businesses of New Hampshire.

While the TAct specifies a limited checklist of particular actions needed to obtain long distance authority, both the TAct and our New Hampshire statutes require that the public interest be met before we can recommend Section 271 approval. Our rulings on PAP, SGAT and the conditions we set out here should bring the Verizon petition in line with the public interest. In this way, consumers can enjoy the benefits of Verizon=s entry into the long-distance market, without facing adverse impacts such entry could have on Verizon=s wholesale and local exchange customers.

Sincerely,

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner